

# For Your Benefit

May 2001

*News you can use*

## You Can Make a Difference on Prescription Drug Costs

*Your Plan Benefits Depend on You*

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### In This Newsletter

This newsletter is the first in a series of patient education newsletters designed to give you a better understanding of the prescription drug benefits available to you as a City employee.

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### Rx Drug Costs Skyrocket

We have all heard the news about rising prescription drug costs. Studies tell us that these costs are growing faster than any other health service or supply. Our program has begun to feel the financial squeeze. However, with your help and cooperation, we can take action to control costs while better using our program and its benefits.

Our prescription drug costs started to increase dramatically during the 1998 plan year when total drug claims costs rose by more than 25%. This increase climbed to 33% the following plan year. These rising drug costs are having a tremendous impact on our overall health costs. For example, in 1999 we experienced a 9% cost increase in health care benefits paid out to our medical providers and suppliers. Of that 9% increase, 37% was directly related to prescription drug cost increases.

### Here's What We Learned . . .

- The number of prescriptions was up significantly.
- The individual ingredient drug costs were increasing at alarming rates (near 20%).
- During the first nine months of 2000, drug manufacturers spent more than they spent in all of 1999 on direct marketing and advertising — a whopping 1.9 billion dollars! These advertising and marketing efforts continue to spur demand for newer and higher cost drug alternatives, whose increased effectiveness may be questionable.
- Several particular types of drugs were leading the cost and utilization increases, with allergy, dermatology, and anti-acid (stomach) medicine topping the list.
- Brand name drugs were being used almost twice as often as less expensive generic alternatives.

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### Here's What's Making Headlines . . .

- Rx Drug Costs Skyrocket
- You Can Help Control Rx Drug Costs
- Rx Drug Manufacturers Spend Billions on Advertising



- The cost of generics can be half of the cost of brand name drugs in many instances. Yet some manufacturers withhold generics from the market or simply repackage existing generics to change them to brand-name status.
- Our pharmacist experts found that many flu-packs and other products were simply not necessary or were ineffective.
- Most HMO and employer plans have started to develop new plan design, co-pay differentials and formularies to control costs. Many are also passing the premium increases along to their employees.

### You Can Help Control RX Drug Costs

We have to do something now to deal with this problem or it will only continue to get worse. Plan year 2000 financial results are in, and prescription drugs now represent about 23% of the total program cost. Not that long ago, prescription drugs cost less than 8% of the total! The good news is there are some positive steps we can take together to improve the situation and bring these costs under control again. If we fail to act now, our plan may be forced to reduce benefits.

### Rx Drug Manufacturers Spend Billions on Advertising

When you watch your favorite television show or read your favorite magazine, you've probably seen advertisements for prescription drugs that lower cholesterol, relieve symptoms caused by stomach acid, cure toenail fungus or help you breathe easier during allergy season. Pharmaceutical companies are using direct-to-consumer advertising more and more often.

Until the 1980's, drug manufacturers could, by law, only advertise to doctors and pharmacists. These ads were designed to help doctors learn

about the availability and effectiveness of new medications, as well as any risks associated with the drugs. Now that advertising regulations have eased, pharmaceutical companies have the ability to reach out directly to consumers.

As part of managing your own health, advertisements can help you become aware of symptoms and understand advancements in the treatment of diseases and conditions. But keep in mind that a 30-second commercial or fancy magazine ad cannot tell you the whole story. You must be sure that the information applies to you specifically by discussing it with your doctor.

### What's Next?

In our next newsletter we will provide more information about better ways to use the plan benefits under the City's prescription drug plans, how you can become a better pharmacy consumer, and the reasoning behind our program cost improvement methods and alternatives. We will also be working with our Long Beach plan providers to gain their support and understanding of our benefits and prescription drug program needs.

In coming newsletters we will discuss:

- Brand name vs. generic
- When do you need an antibiotic?
- How do our plans work?
- What is a formulary?
- What do the doctors say?
- What do the pharmacists say?
- Mail order drugs

**If you have any questions about this newsletter, please contact Human Resources at (562) 570-6302.**